



Association of Mutual Funds in India

C-701 Naman Corporate Link, Plot Nos. C-31 / C-32, G Block, Bandra Kurla Complex, Bandra – East, Mumbai – 400 051

135/BP/ 104 /2022-23

November 23, 2022

To,

All AMFI Members

Dear Members,

AMFI Best Practice Guidelines Circular No.104/2022-23

AMFI Guidelines for availing Discretionary PMS by employees of AMC and Trustees

Pursuant to a regulatory revamp exercise of SEBI (Mutual Funds) Regulations, 1996 (“MF Regulations”) and various circulars issued thereunder undertaken by SEBI, and amendments to the MF Regulations notified in the official Gazette on February 04, 2021, SEBI had issued a detailed circular number SEBI/HO/IMD/DF2/CIR/P/2021/024 dated March 04, 2021 for implementation of the regulatory changes.

As per Clause 6.2 of the aforesaid circular, the employees of AMC and Trustees may avail discretionary Portfolio Management Services (PMS) subject to compliance with all applicable SEBI Regulations and circulars. It is also stipulated therein that AMFI shall issue necessary guidelines including adequate safeguards in this regard in consultation with SEBI.

Accordingly, we had submitted the draft guidelines (prepared in consultation with AMFI Operations & Compliance Committee, and endorsed by the Board of AMFI) to SEBI for approval.

After reviewing the draft guidelines following several rounds of discussions with AMFI representatives, SEBI has suitably revised the same, to align it with applicable regulatory requirements. The final set of guidelines as approved by SEBI are annexed hereto as Annexure A.

Members are requested to take note of the above for uniform implementation. Members are also requested to place the same before their Trustee & AMC Boards for information at their next meeting.

With best regards,

B. M. Kini
Dy. Chief Executive

ANNEXURE A

AMFI guidelines for employees of AMC and Trustees for availing discretionary PMS.

A) Definitions:

- i. "AMC or Trustee" means the AMC or Trustee where the employee seeking to invest in TP-DPMS is employed.
- ii. "Third Party Discretionary PMS" (TP - DPMS) means discretionary portfolio management services (PMS) offered by a portfolio manager registered under SEBI (Portfolio Manager) Regulations, 2020 (i) which is not forming part of group of the AMC or Sponsor(s) or (ii) which is not an associate of the AMC or sponsor(s) and (iii) which has not employed an immediate relatives of such an employee.
- iii. The term "group" and 'associate' shall have same meaning as defined in SEBI (Mutual Funds) Regulations, 1996 and circulars issued thereunder.
- iv. The term 'immediate relatives' shall have the same meaning as defined under SEBI (Prohibition of Insider Trading) Regulations, 2015.
- v. "Restricted Securities" mean securities / instruments (i) issued by the group of the concerned AMC and sponsor and (ii) units of mutual fund / alternative funds which are managed by the AMC wherein such employee is employed or is employee of the concerned Trustee (iii) issued by the concerned the AMC.

B) Process for availing TP - DPMS

All employees of AMCs and Trustee can avail TP - DPMS subject to the following:

- i. submission of draft client agreement, disclosure documents and the intended investment approach
- ii. submission of undertaking of adherence to applicable SEBI and AMFI best practice guidelines
- iii. obtaining prior written approval of the Compliance Officer of the AMC

C) Investment restrictions & approach

Following broad investment approach and restrictions shall be applicable:

- i. transfer of securities from personal account to TP - DPMS shall be allowed subject to the conditions that post the transfer, such security, shall be held for at least two months
- ii. employees shall have no (a) discretion towards the investment decisions and (b) control/influence on buying and selling of the securities
- iii. no trades would be allowed in the Restricted Securities
- iv. no speculative trading shall be allowed

D) Important terms in the client agreement

The client agreement between the employee and the TP-DPMS provider shall *inter alia* provide that no trades shall be done in the Restricted Securities or based on any unpublished price sensitive information

E) Reporting obligations

Employees shall, within the prescribed period, submit (i) quarterly statements of transactions in securities carried through TP-DPMS .and (ii) annual statements of holdings as on March 31.

Apart from the above periodic reporting, employee shall be bound to report / submit, within the prescribed period, such information/records pertaining to the TP-DPMS account as may be demanded by the Compliance Officer of the AMC.

F) Annual certifications

The employee of the AMC and Trustee availing the TP -DPMS shall provide annual certification wr.t to the following points:

- i. adherence to all applicable provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015
- ii. adherence to applicable provisions of SEBI (Mutual Funds) Regulations,1996 including the regulations dealing with personal securities transaction
- iii. adherence to AMFI prescribed best practice guidelines w.r.t availing of TP-DPMS
- iv. adherence to the AMC's conflict of interest policy
- v. no control / influence on the trades in securities executed through TP-DPMS account
- vi. the TP-DPMS provider has not breached any material applicable SEBI regulations. Any exceptions shall be immediately brought to the notice of the Compliance Officer of the AMC.

G) Termination or closure of DPMS account

The closure of TP - DPMS account shall be subject to the following conditions that upon the closure, if securities are being transferred to the employee then all the conditions of holding period, cooling period, pre-clearances of trade before selling etc. shall apply on such securities from the date of such transfer.

H) Applicability of conditionalities prescribed under SEBI Regulations and Circulars

It is clarified that all the requirements applicable to an employee of a mutual fund under SEBI (Prohibition of Insider Trading) Regulations, 2015, SEBI (Mutual Funds) Regulations, 1996 or circulars issued thereunder shall continue to apply *mutatis mutandis* after availing discretionary PMS services.

For avoidance of doubt, it is specifically clarified that all the conditionalities prescribed under SEBI circular No. SEBI/HO/IMD/IMD-I DOF5/P/CIR/2021/654 dated October 28, 2021 shall continue to apply to the trades undertaken through the TP - DPMS.
